



## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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GOVERNOR

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Statement of  
**LUIS P. SALAVERIA**  
Director  
Department of Business, Economic Development and Tourism  
before the  
**HOUSE COMMITTEE ON LABOR & PUBLIC EMPLOYMENT**  
Friday, March 20, 2015  
10:00 AM  
State Capitol, Conference Room 309  
in consideration of  
**SB 1361, SD 2**  
**RELATING TO BUDGETING.**

Chair Nakashima, Vice Chair Keohokalole, and Members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) supports SB 1361, SD2, which requires position ceilings to be included in the executive budget and various budget documents. The bill also authorizes department heads, with the approval of the Governor, to establish positions for special, research, and demonstration projects, provided that funding is available for the positions.

DBEDT supports SB 1361, SD2, as long as the bill includes language on page 2, lines 13–19, which allows the Governor to approve requests by departments to establish or abolish positions engaged in a special, research, or demonstration projects subject to available funds.

Without that language, it appears that DBEDT's Hawaii State Energy Office employees would need to be terminated. This would have a devastating impact on the implementation of the Hawaii Clean Energy Initiative.

Thank you for the opportunity to offer these comments.



**STATE OF HAWAII**  
**DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT**  
235 S. BERETANIA STREET  
HONOLULU, HAWAII 96813-2437

March 18, 2015

TESTIMONY TO THE  
HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
For Hearing on Friday, March 20, 2015  
10:00 a.m., Conference Room 309

By

JAMES K. NISHIMOTO  
DIRECTOR, DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

**Senate Bill No. 1361, S.D. 2**  
**Relating to Budgeting**

CHAIRPERSON NAKASHIMA, VICE CHAIR KEOHOKALOLE AND MEMBERS OF  
THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT:

S.B. No. 1361, S.D. 2 would, among other things, amend Chapter 37, HRS to require "position ceilings" to be included in the executive budget and related documents. The bill would also prohibit the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. The effective date of these amendments would be July 1, 2016.

The Department of Human Resources Development (DHRD) **supports** this bill as currently drafted. The new language into Chapter 76 would enable departments to proceed with the staffing of projects approved by the governor, without risking the loss of potential funding sources due to delays in establishing needed positions.

Thank you for the opportunity to testify regarding this measure.



STATE OF HAWAII  
DEPARTMENT OF EDUCATION  
P.O. BOX 2360  
HONOLULU, HAWAII 96804

**Date:** 03/20/2015

**Time:** 10:00 AM

**Location:** 309

**Committee:** House Labor & Public  
Employment

**Department:** Education

**Person Testifying:** Kathryn S. Matayoshi, Superintendent of Education

**Title of Bill:** SB 1361, SD2 RELATING TO BUDGETING.

**Purpose of Bill:** Requires "position ceilings" to be included in the executive budget and related documents. Requires a "position ceiling" to separately identify the maximum number of permanent and temporary positions authorized in the executive budget. Prohibits the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. Authorizes department heads, with the approval of the governor, to establish positions for special, research, and demonstration projects, provided that funding is available for the positions. States intent that the provisions also apply to the judiciary budget by operation of existing law. Effective date 1/7/2059; except that section 3 of the bill takes effect upon approval. (SD2)

**Department's Position:**

The Department of Education appreciates the intent of SB1361 SD2 to improve transparency by adding to budget documents position ceilings for temporary positions, and prohibiting agencies from exceeding the position ceilings for both permanent and temporary positions except in certain instances.

The Department offers comments for the committee's consideration.

Without the exceptions to the prohibition that are contained in Section 7, it would not be possible to establish positions to ensure federal funds received can be used in a timely manner for the purposes for which the funds were awarded. It would also be problematic to adjust staffing throughout the entire school system to accommodate enrollment fluctuations, varying student needs including individualized education plans, and school level decisions on the use of funds for employee or non-payroll expenditures. Given the limited time in which either State or federal funds are available for expenditure, the prohibition to exceed position ceilings would compromise the Department's ability to efficiently and effectively use funds appropriated to support and operate our public schools.

Thank you for the opportunity to testify on this measure.



*The Judiciary, State of Hawai'i*

**Testimony to the House Committee on Labor and Public Employment**

Representative Mark M. Nakashima, Chair  
Representative Jarrett Keohokalole, Vice Chair

Friday, March 20, 2015 10:00 AM  
State Capitol, Conference Room 309

by  
Rodney A. Maile  
Administrative Director of the Courts

**WRITTEN TESTIMONY ONLY**

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**Bill No. and Title:** Senate Bill No. 1361, Senate Draft 2, Relating to Budgeting

**Purpose:** Requires "position ceilings" to be included in the executive budget and related documents. Requires a "position ceiling" to separately identify the maximum number of permanent and temporary positions authorized in the executive budget. Prohibits the expenditure of funds on positions exceeding the applicable ceiling, with certain exceptions. Authorizes department heads, with the approval of the governor, to establish positions for special, research, and demonstration projects, provided that funding is available for the positions. States intent that the provisions also apply to the judiciary budget by operation of existing law. Effective date 1/7/2059; except that section 3 of the bill takes effect upon approval. (SD2)

**Judiciary's Position:**

The Judiciary appreciates the purpose and intent of this bill, i.e., to increase transparency in the state budgeting process and the proposed amendments made in Senate Draft 2 that allow the Governor more flexibility to establish exempt positions for special, research, or demonstration projects. The Judiciary is also subject to the provisions SB No. 1361, SD2.

Similar to concerns expressed by various executive branch departments' testimonies, the Judiciary also believes that some flexibility is necessary when establishing position ceiling controls. As such, we respectfully request amending the proposed language to allow the Chief



Senate Bill No. 1361, Senate Draft 2, Relating to Budgeting  
House Committee on Labor and Public Employment  
Friday, March 20, 2015 10:00 AM  
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Justice the authority to approve the establishment and removal of any positions for employees engaged in special, research, or demonstration projects. Our suggested language:

**§76 - Special, research, or demonstration project positions.**

Notwithstanding any law to the contrary, with the approval of the governor, the head of a department may establish and abolish any subordinate position for an employee engaged in a special, research, or demonstration project that is approved by the governor, subject to the limitations of available appropriations. When applying this part to the judiciary, the term “governor” means the chief justice of the supreme court and the term “department” means the judicial branch.”

We also suggest that the above language referencing the Chief Justice be added in to Subchapter 37-74 (e) (4) of the current bill.

Thank you for the opportunity to offer our proposed amendment and testify on SB No. 1361, SD2.

DAVID IGE  
GOVERNOR



CATHERINE PAYNE  
CHAIRPERSON

STATE OF HAWAII  
**STATE PUBLIC CHARTER SCHOOL COMMISSION**  
**('AHA KULA HO'ĀMANA)**

<http://CharterCommission.Hawaii.Gov>  
1111 Bishop Street, Suite 516, Honolulu, Hawaii 96813  
Tel: (808) 586-3775 Fax: (808) 586-3776

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FOR: SB1361 SD2 Relating to Budgeting  
DATE: Friday, March 20, 2015  
TIME: 10:00 a.m.  
COMMITTEE(S): House Committee on Labor & Public Employment  
ROOM: Conference Room 309  
FROM: Tom Hutton, Executive Director  
State Public Charter School Commission

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Chair Nakashima, Vice Chair Keohokalole, and members of the Committee:

The State Public Charter School Commission appreciates the opportunity to submit these written comments on Senate Bill 1361 SD2, "Relating to Budgeting," which, among other things, requires a "position ceiling" to identify the maximum number of permanent and of temporary positions authorized in the Executive Budget and, with certain exceptions, prohibits the expenditure of funds on positions exceeding the applicable ceiling.

Under the funding methodology established under Section 302D-28, Hawaii Revised Statutes ("HRS"), public charter schools are provided what amounts to lump sum funding under a statutory formula and are afforded substantial flexibility in the management and expenditure of those funds. Because under this formula the funding amounts are derived from the Department of Education's approved budget, rather than based on charter school cost calculations submitted in advance through the normal budgeting process, and because even relatively small enrollment fluctuations in such small schools can change staffing needs unexpectedly, the requirements proposed in this bill could have a serious adverse impact on the operational flexibility on which public charter schools heavily depend.

In light of these considerations, we would respectfully request that the new subsection 37-74 (e), HRS, proposed under Section 7 of the bill be amended to add to the list of exceptions to the new restrictions a "Position established by a charter school as defined under Section 302D-1."

Thank you for the opportunity to provide this testimony.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON LABOR AND PUBLIC EMPLOYMENT  
ON  
SENATE BILL NO. 1361, S.D. 2

March 20, 2015

RELATING TO BUDGETING

Senate Bill No. 1361, S.D. 2, amends Chapter 37, HRS, to establish position ceilings at the program level and require the inclusion of position ceiling information in the various budget documents. The bill prohibits, with certain exceptions, the expenditure of funds for the filling of positions if the position ceiling would be exceeded. The bill also adds a new section to Chapter 76, HRS, to allow department heads, with the approval of the Governor, to establish and abolish any subordinate position for special, research or demonstration projects.

The Department of Budget and Finance supports the general intent of Senate Bill No. 1361, S.D. 2, but has the following concerns. First, it needs to be recognized that the computerized budget systems currently utilized by the Executive Branch to produce the various budget documents and budget bills are not contemporary, technologically advanced systems. The core budgeting programs are COBOL-based systems that are over 40 years old. As such, these systems will require extensive modifications which would likely be labor intensive and require funding in order to accommodate the requirements of this bill.

For example, to display temporary positions at the program level in the various documents would require major formatting modifications and we are not sure, at this time, of the resource requirements and time needed to complete this task. As such,



during the interim, we will explore alternative means to provide temporary and permanent position count information and will evaluate various options to provide this information in the budget documents.

Second, we strongly believe that some flexibility is necessary when establishing position ceiling controls. Excessively strict position ceiling controls can be problematic when circumstances not foreseen during budget preparation arise, and can severely hamper the Executive's ability to operationally respond to these situations effectively and efficiently.

The Legislature should consider the opinion of respective departments on how the proposed prohibition on creating temporary and exempt positions in excess of the position ceilings authorized could adversely impact their operations and what, if any, program curtailments could result. We understand that many departments have expressed concerns regarding potential issues and will require extensive lead time regarding federally funded positions to be in full compliance.

Lastly, we are concerned that this is one of a number of bills moving through the Legislature that would require that significant changes be made to the budget documents. The previously mentioned COBOL-based systems, along with our newer web-based budget systems, would require extensive modifications which would be labor intensive. The development of interim reports and additional training requirements will also sap our limited resources. Should all of these measures pass, it is unlikely that our department will be able to meet all of the new statutory requirements within the allotted time frame.

As such, we strongly recommend that the effective date of the bill allow several years for the changes to be made, with a requirement that a compliance plan be submitted, or some other option that would allow us to work through the various issues and problems without adversely impacting immediate staffing needs. Annual progress updates could also be provided to keep the Legislature apprised of our efforts.